

Message Text

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PAGE 01 JIDDA 01568 011351Z
ACTION NEA-10

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TO AMEMBASSY ROME PRIORITY
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E.O. 11652: N/A
TAGS: BENC, BEXP, IT,SA
SUBJECT: ASSISTANCE ON PIPELINE CONSTRUCTION CONTRACT - SAUDI
ARABIA

REF: ROME 3543

1. DISCUSSIONS WITH MOBIL, REVEALED FOLLOWING INFO RE INQUIRY
REFTEL. THERE WILL BE TWO COMPANIES CHOSEN TO CONSTRUCT THE
ABQAIQ-YANBU
8 INCH OIL PIPELINE. ONE WILL WORK FROM EAST
TO WEST AND THE OTHER FROM WEST TO EAST. ALL BIDDERS
WERE ASKED TO BID ON BOTH SECTIONS SEPARATELY. THE OVERALL
COST ESTIMATE OF THE PROJECT IS \$1.7 BILLION. IN ADDITION
TO BROWN AND ROOT, THERE ARE KNOWN TO BE TWO OTHER U.S. FIRMS
BIDDING, WILLIAMS BROS. OF OKLAHOMA AND SEDCO OF DALLAS, TEXAS.
ANOTHER ITALIAN BIDDING FIRM, IN ADDITION, OR PERHAPS
IDENTIFIABLE WITH FIRMS MENTIONED IN REFTEL, IS SAIPEN.
LATTER IS KNOWN TO BE LOW AND IN THE RUNNING. IT WORKED
WITH MONTUBI ON THE EGYPTIAN SUMED PIPELINE, PARALLELING
SUEZ CANAL. IT MAY BE OF INTEREST FOR ROME TO KNOW
THAT MONTUBI HAS ALREADY SOLD 45 PERCENT OF PIPE FOR THE
PROJECT ACCORDING TO MOBIL.

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PAGE 02 JIDDA 01568 011351Z

2. OF THE 15 BIDDERS, MOBIL, WHICH IS EVALUATING THE BIDS
AND WILL PRESENT RECOMMENDATION FOR SELECTION TO PETROMIN,
STATES THAT THE MONTUBI/BROWN AND ROOT BID IS SOMEWHERE
IN THE MIDDLE AND NOT AMONG FIFTEEN LOWEST BIDS. SEDCO (US)
IS REPORTEDLY IN THE RUNNING AS IS SAIPEN (ITALIAN).

3. THE FINAL REVIEW OF THE BIDS WILL BE DONE BY MOBIL IN HOUSTON ON MARCH 12 AND 13, 1978. DISCUSSION WITH MOBIL, JIDDA, REPS INDICATE THAT FIRMS SUCH AS MONTUBI AND BROWN AND ROOT SHOULD VISIT JIDDA TO DISCUSS ADVANTAGES OF THEIR BID WITH MOBIL AND PETROMIN. SAUDI ARABIAN DIRECTOR OF BROWN AND ROOT IS NOW IN HOUSTON HOME OFFICE AND PRESUMABLE MAKING PRESENTATIONS TO MOBIL ENGINEERING OFFICES THERE ON PROJECT BID.

4. APPROACH TO SAUDIS AT THIS JUNCTURE IS NOT ADVISABLE UNLESS EMBASSY PROMOTES ALL U.S. FIRMS INVOLVED AS IT HAS DONE PREVIOUSLY. BROWN AND ROOT HAS RATHER STRONG SAUDI SPONSOR WHO IS ALSO MOBIL SPONSOR. CAN EMBASSY FIND OUT MONTUBI'S SAUDI SPONSOR, AND ADVISE US? THIS INFO COULD BE KEY TO FINAL AWARD.

5. IN OPINION OF MOBIL, SHARED BY THIS MISSION, THE U.S. INCOME TAX LAWS ARE A MAJOR FACTOR IN INCREASING BID PRICE OF U.S. FIRMS BECAUSE THEY HAVE TO COMPENSATE U.S. WORKERS FOR INCOME TAX BURDEN IN ORDER TO RECRUIT THEM FOR THE PROJECT. THIS MAY BE ADDING FROM \$50 TO \$100 MILLION TO THE U.S. BIDS, ACCORDING TO HOW MANY AMERICAN WORKERS WILL BE NEEDED ON THE \$1.7 BILLION PROJECT.
WEST

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